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March 7, 2022

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*Via Electronic Mail*

Marcia L. Boyle  
Commissioner/Reviewer  
Maryland Health Care Commission  
4160 Patterson Avenue  
Baltimore, Maryland 21215

Re: Hope Health Systems, Inc.  
Application for Certificate of Need  
Docket No. 20-03-2444

Dear Commissioner/Reviewer Boyle:

In accordance with your March 4, 2022 ruling, attached is a copy of the Audited Financial Statements of the Applicant, Hope Health Systems, Inc., for the year ended December 31, 2020.

Sincerely,

*Marta Harting*

Marta D. Harting

MDH/dll

# VENABLE LLP

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March 7, 2022

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cc: James C. Buck, Esquire  
Dana Farrakhan, Senior Vice President, University of Maryland Medical Center, Inc.  
Bryan Niehaus, JD, CHC  
Nilesh Kalyanaraman, M.D., Health Officer, Anne Arundel County  
Letitia Dziras, M.D., Health Officer, Baltimore City  
Gregory W. Branch, M.D., Health Officer, Baltimore County  
Edwin F. Singer, Health Officer, Carroll County  
Russell Moy, M.D., Health Officer, Harford County  
Maura J. Rossman, M.D., Health Officer, Howard County  
Patricia Nay, M.D., Executive Director, Office of Health Care Quality, MDH  
Suellen Wideman, Assistant Attorney General  
Paul Parker, Director, Center for Health Care Facilities Planning and Development  
Wynne Hawk, Chief, Certificate of Need  
Jeanne Marie Gawel, Program Manager  
Eric Baker, Program Manager

# HOPE HEALTH SYSTEMS, INC.

AUDITED FINANCIAL STATEMENTS  
DECEMBER 31, 2020

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## HOPE HEALTH SYSTEMS, INC.

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# PATUXENT

## ACCOUNTING & TAX

Certified Public Accountants

201 W Padonia Rd Ste 301 \* Lutherville, MD 21093 \* Tel 443-562-5953 \* Fax 410-529-0703

### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Hope Health Systems, Inc.  
6707 Whitestone Road, Suite 106  
Baltimore, MD 21207

We have audited the accompanying financial statements of Hope Health Systems, Inc., which is comprised of the Balance Sheet as of December 31, 2020, the related Income Statement and Statement of Cash Flows for the year then ended, and the related notes to the financial statements.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hope Health Systems, Inc. as of December 31, 2020, and the Income Statement and Statement of Cash Flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### Other Matter

Our audit was conducted for the purposes of forming an opinion on the financial statements as a whole. There are no other matters related to the financial statements as a whole that require additional presentation, disclosure, or analysis.



Patuxent Accounting & Tax, Inc.  
Lutherville, Maryland  
December 22, 2021

**Hope Health Systems, Inc.**  
**Balance Sheet**  
**December 31, 2020**

<u>ASSETS</u>		<u>LIABILITIES &amp; SHAREHOLDERS' EQUITY</u>	
		<u>Liabilities</u>	
<u>Current Assets</u>		<u>Current Liabilities</u>	
Cash and Cash Equivalents	\$ 596,344.26	Accounts Payable	\$ 313,918.20
Deposits	31,259.34	Credit Cards	50,694.38
Employee Advances	87,276.36	Payroll Liabilities	125,101.20
Total Current Assets	<u>\$ 714,879.96</u>	Due to Officers	180,272.18
		Deferred Tax Liability	29,917.00
		Total Current Liabilities	<u>\$ 699,902.96</u>
<u>Note Receivable - HHP</u>	<u>\$ 706,125.07</u>		
		<u>Long Term Liabilities</u>	
<u>Fixed Assets</u>		SBA EIDL	\$ 150,000.00
Software	\$ 239,728.59	BB&T Loan	711,055.51
Leasehold Improvements	872,482.19	BB&T Line of Credit	177,043.65
Furniture and Fixtures	146,118.89	Total Long Term Liabilities	<u>\$ 1,038,099.16</u>
Computers	107,168.15		
Office Equipment	47,089.88	Total Liabilities	<u>\$ 1,738,002.12</u>
Lab Equipment	55,430.58		
Accumulated Depreciation	(950,867.06)	<u>Shareholders' Equity</u>	
Total Fixed Assets	<u>\$ 517,151.22</u>		
		Retained Earnings	\$ 470,436.37
<u>Other Assets</u>	<u>\$ 483,103.81</u>	Current Year Net Income	213,021.57
		Total Shareholders' Equity	<u>\$ 683,457.94</u>
Total Assets	<u>\$ 2,421,260.06</u>	Total Liabilities & Shareholders' Equity	<u>\$ 2,421,460.06</u>

**Hope Health Systems, Inc.**  
**Income Statement**  
**For the Year Ended December 31, 2020**

<u>INCOME</u>		
Service Income	\$ 12,401,891.80	
Other Income	<u>1,995,640.21</u>	
Total Income		\$ 14,397,532.01
<u>EXPENSES</u>		
Amortization	\$ 8,476.67	
Bank Fees	12,066.39	
Business Gifts	24,965.96	
Contributions	2,560.00	
Depreciation	89,112.69	
Direct Expenses	7,281,254.28	
Dues and Subscriptions	1,315.19	
Education	11,061.27	
Entertainment	6,282.89	
Fringe Benefits	1,080,888.95	
G&A Payroll	2,674,671.86	
G&A Subcontractors	449,896.37	
Interest	78,490.37	
Internet	17,700.31	
Licenses and Permits	1,352.80	
Meals	39,796.72	
Meetings & Seminars	3,750.35	
Miscellaneous	252,359.73	
Overhead	202,124.49	
Postage and Delivery	2,823.22	
Printing and Reproduction	6,222.29	
Professional Fees	397,999.72	
Recruiting	16,311.55	
Rent	490,175.04	
Repairs and Maintenance	237,236.92	
Security Monitoring	31,308.46	
Supplies	289,674.35	
Taxes	320,204.57	
Telephone	86,089.65	
Travel and Entertainment - Meeting	39,619.17	
Utilities	<u>28,718.21</u>	
Total Expenses		<u>14,184,510.44</u>
Net Income (Loss)		<u>\$ 213,021.57</u>

**Hope Health Systems, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2020**

Operating Activities

Net Income \$ 213,021.57

Adjustments to reconcile Net Income to net cash  
provided by Operating Activities:

Accounts Receivable	\$ 433,427.36	
Suspense	159,535.16	
Employee Advances	(4,513.60)	
Note Receivable - HHP	(41,187.73)	
Accounts Payable	(9,913.14)	
Credit Cards	(37,332.97)	
Payroll Liabilities	70,603.77	
Other Accrued Liabilities	<u>(60,955.76)</u>	
Net Cash Provided by Operating Activities		509,663.09

Investing Activities:

Furniture and Fixtures	\$ (65,855.88)	
Leasehold Improvements	(382,911.15)	
Computers	(296.79)	
Office Equipment	(2,194.88)	
Lab Equipment	(55,430.58)	
Accumulated Depreciation	89,112.69	
Other Assets	<u>(40,673.05)</u>	
Net Cash Provided by Investing Activities		(458,249.64)

Financing Activities:

Notes Payable	\$ 185,954.60	
Due to Officers	(85,140.77)	
Net Cash Provided from Investing Activities		<u>100,813.83</u>

Net Change in Cash \$ 365,248.85

Cash at Beginning of Period 231,095.41

Cash at End of Period \$ 596,344.26

**Hope Health Systems, Inc.**  
**Notes to Financial Statements**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**ORGANIZATION**

Hope Health Systems, Inc. (HHS) is a profit entity that caters to individuals who are experiencing mental illness. The company was incorporated in the State of Maryland in 1999.

The Corporation is licensed by Department of Health and Mental Hygiene. The Office of Health Care Quality, Community Health Services Unit, approves HHS as an Outpatient Mental Health Clinic. The foundation of Hope Health Systems is built on helping individuals and families have a normal life and become productive citizens in the community.

**BASIS OF ACCOUNTING**

Hope Health Systems, Inc. prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Revenue and related assets are recognized when earned and expenses and related liabilities are recognized when the obligations are incurred. Accordingly, the financial statements reflect all significant payables and liabilities.

**REVENUES**

Hope Health Systems, Inc. receives most of their revenue through contracts with the State Department of Human Services. They offer services such as mental health, early intervention, training, consultation, and treatment services. These services are offered through a variety of programs such as: Outpatient Mental Health Care (OMHC), Expanded School-Base Mental Health (ESMH), Department of Juvenile Services (DJS), Psychiatric Rehabilitation Program (PRP), Health Homes, Substance Abuse, and Mobile treatment Services.

**NOTE 2: CASH AND CASH EQUIVALENTS**

Cash and Cash Equivalents of \$596,344.26 represents the total held in the Company's bank deposit accounts on December 31, 2020.

**NOTE 3: NOTE RECEIVABLE-HHP**

In 2018, Hope Health Systems acquired a \$750,000.00 loan for the purpose of subsidizing the costs associated with Improvements for a building owned by Hope Health Properties, a wholly owned subsidiary of Hope Health Systems. While the liability was recorded properly on the books of Hope Health Systems, the original entry erroneously increased the Leasehold Improvements of Hope Health Systems. This transaction has since been corrected, and Hope Health Systems has established a Note Receivable from Hope Health Properties.

**NOTE 4: FIXED ASSETS**

Fixed Assets are recorded at cost and depreciated on a straight-line basis over the estimated useful life of each asset.

**NOTE 5: OTHER ASSETS**

Other Assets of \$483,303.81 is comprised of the following:

Agape Health Systems - \$461,054.02  
Goodwill (Agape Health Systems purchase) - \$28,000.00  
Accumulated Amortization – (\$16,566.67)  
Peju's Kitchen - \$10,816.46

**NOTE 6: GOODWILL**

Agape Health System was acquired in February of 2015 and provided a total goodwill of \$28,000. It is being amortized on a straight-line basis over a period of 10 years.

**NOTE 7: DUE TO OFFICERS**

Due to Officers of \$180,272.18 is detailed below:

Lanre Fadiora - \$98,020.65  
Yinka Fadiora - \$82,251.53

**NOTE 8: LONG TERM LIABILITIES**

Long Term Liabilities totaling \$1,038,099.16 is comprised of:

SBA EIDL - \$150,000.00 (payments deferred until Jun 2021)  
BB&T Loan - \$711,055.51 (interest rate of 5.37% - maturity date of 5/29/2023)  
BB&T Line of Credit - \$177,043.65 (Interest rate of 3.75% - maturity date of 11/29/2021)